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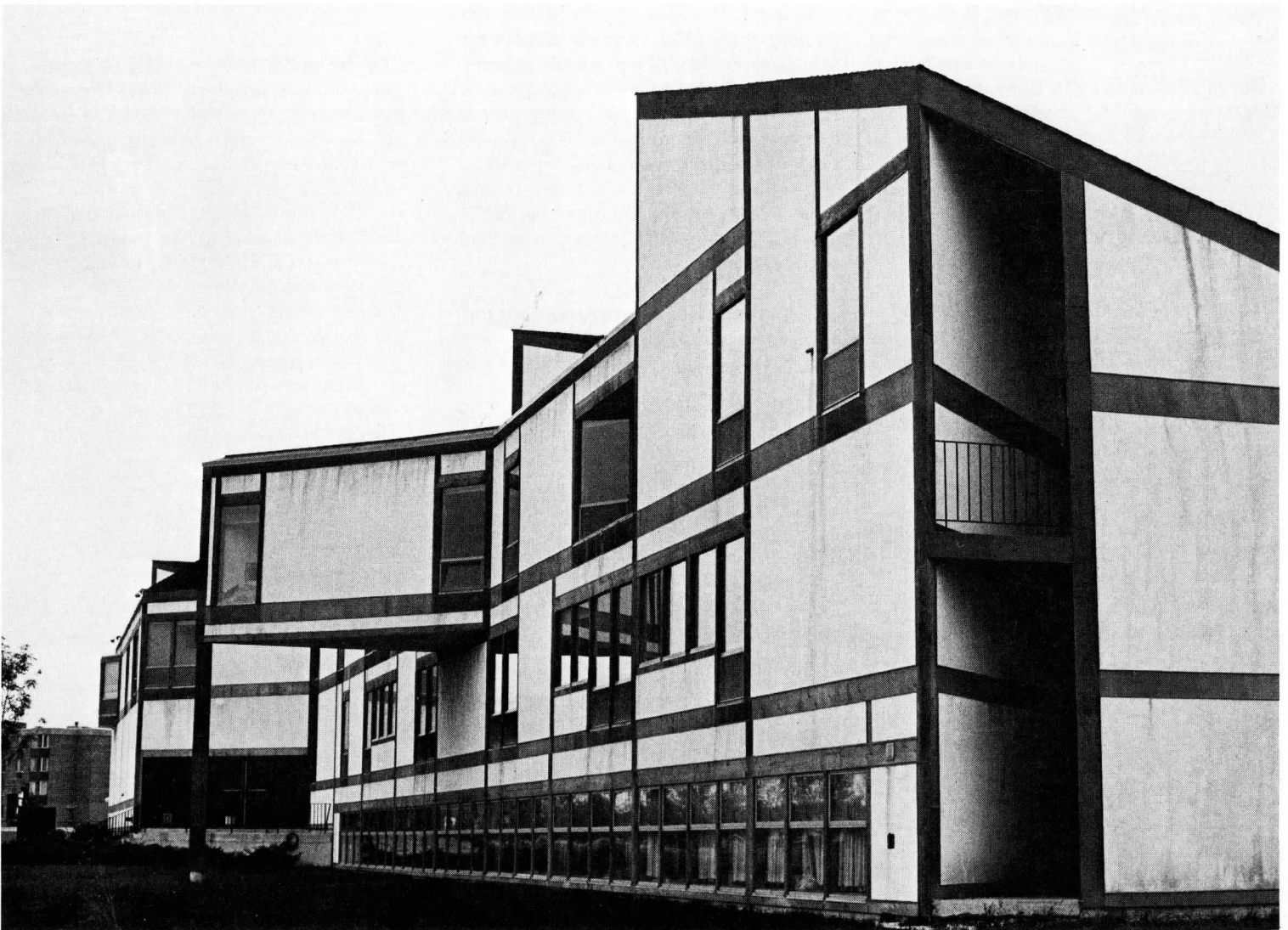
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PARK FOREST SOUTH was to be an innovative new community of 110,000 people by 1990. So said the developers, the U.S. Housing and Urban Development agency and the spokesmen of what seemed to be a burgeoning new town movement in the 1960s. Today, two-thirds of the developers have expediently withdrawn, HUD is talking foreclosure, and the movement, what is left of it, is lying low till the cross-fire dies down. Below: The development company's office building, by Harry Weese & Associates.



Park Forest South: Utopia goes kerplunk

By Nory Miller

■ As any 8-year-old can tell you, it's just no good grabbing one squiggle of a Slinky and running hell-bent up the stairs. The rest will come along anyway and, sure as shooting, by the time you get to the top, will be in an awful tangle.

But what every 8-year-old kid knows, the U.S. federal government and America's "enlightened" real estate developers are learning the hard way—at least when it comes to taking a tug at new towns.

Illinois' own Park Forest South—once the way-out-in-front one of the government-backed American new towns—is in just as much of a tangle as any of them, if not more so.

But in 1968, it was all a shiny new toy. New Towns—capital N, capital T—were mid-20th century style Erewhon, post-war Saint-Simon. Depending on whose ideology one accepted, new towns were a way to sop up excess urban population, a more rational method of building than suburban sprawl, or the utopian perfect-people-from-perfect-environments future.

With due respect to Sweden, Finland and France, it was the British experience that made new towns New Towns. Faced with a severe housing shortage after the war, England launched an urban offensive with a breadth and intensity that we reserve for poking into space. In short time, there were dozens of new self-reliant communities and a record of almost unmitigated success.

By the 1960s, Europe Jr. had begun a few new towns of its own—most notably Columbia, Md., and Reston, Va.—with private money. The early returns on these looked good; it was an idealistic decade to begin with; and suddenly Congress was passing the National Communities Act in 1968, a vague bill offering federally backed loan guarantees to developers of new towns.

In 1970, the offer was extended to include loans for interest payments and grants for anything from planning to mass transit to educational programming. Park Forest South signed up.

Park Forest South, at that point, was a bankrupt subdivision called Woodhill, 35 miles south of Chicago, with a population

of about 1000, that had been bought up by the late developer Nathan Manilow in the hopes of annexing it to next-door neighbor Park Forest.

Park Forest was a suburb he and Phillip M. Klutznick had developed decades before, though a suburb remembered less for its large scale of development and multifamily housing than for its transient junior executives that inspired William H. Whyte's *The Organization Man*. In any case, Manilow had long lost control of his brainchild and annexation was voted down.

But what he did once, he could do again, he thought. This time he teamed with subsidiaries of the Illinois Central railroad and U.S. Gypsum. The IC had a train station not far away in Richton Park and promised to extend the line to the new development and, further, planned to move its IC hospital lock, stock and barrel there as well. And U.S. Gypsum was in the home products business anyway and thought, like many big companies of the late '60s, that real estate was a good investment.

The federal offer looked good, too, and when the more cornucopic 1970 version was passed, Park Forest South was an eager and successful applicant.

HUD gave the developers a federal guarantee with which to float \$30 million in bonds—money needed to buy land and put in sewers and roads—and every reason to expect a battery of fringes and help when they needed it. In return, the developers put up \$5 million in equity, agreed to include poor people and minorities, to provide jobs as well as bedrooms, to orchestrate services and amenities, and to be innovative.

The town was to have more than 110,000 people on more than 8000 acres, by 1990. It was to have a linear town center with all the usual accouterments, plus a bazaar, open market and sculpture garden.

There was to be 25 per cent open space in the community, mass transit, 70 per cent multifamily housing, 12 to 15 per cent subsidized housing, a prefabricated hockey rink and tennis courts, cable TV, an IC station, a hospital, a university and an industrial park.

By the end of 1974, Park Forest South had a 750-acre Governor's State University (for which Manilow traded 200 free acres and free sewer and water), an ahead-of-schedule industrial park offering two jobs for every household in the community, and 5000 residents. It was the most advanced of all the 13 HUD-sponsored new towns.

By the end of 1974, Park Forest South also had defaulted on more than \$1 million of interest payments, its home construction had dropped in half, and a lot of the scheduled amenities weren't there yet. This was about par with the other HUD-sponsored new towns.

Today, Park Forest South is a town in limbo. The \$30 million that was supposed to last 20 years was gone at four. Housing units that were supposed to sell—according to early reports—at a rate of 2500 per year are selling at a rate of about 200 instead.

The cable TV system is only partly installed. The company that was doing so is now bankrupt and unsuable. The town is not so eager to have CATV anyway.

There is no hospital. The IC couldn't get it together without government help, which it never received. Another possibility, Lutheran General South, fell through. Presbyterian-St. Luke's also agreed to build there, but ran into trouble getting a permit from the county medical association, which cost them a year's delay, which lost them a chance at federal funds, which helped run them into a cost overrun of \$10 million, which cancelled their plans to build. ▸

Only six years old, the new town's future is up in the air. Below: a view of much of what is there now—the developers' office building, multiplexes and single family homes, five apartment buildings of which one is subsidized housing.



Only 59 moderate-income units were built, what with President Nixon's moratorium on such things. However, a 170-unit high-rise for the elderly has just opened, financed by the Illinois Housing Development Authority.

Mass transit never has materialized as anything more than a bus between the college, Richton Park IC station and downtown Park Forest South, and even that may go in the present downswing, in anticipation of which event the village is negotiating with RTA for funding. The IC station—designed by the Office of Mies van der Rohe—finally has got Department of Transportation money, and plans call for completion in fall, 1976.

There are a professional quality golf course and a fibreglas ice rink and a community recreational center and a few neighborhood centers.

But Ravinia South, a pet project of Lewis Manilow—son of Nathan, lawyer, art collector, theater backer and, since his father's death in 1971, operating partner of PFS—Ravinia South was aborted.

Despite low costs and an eager impresario, the outdoor amphitheater idea was killed by students and faculty from the university who protested the use of degraded prairie for its site. "The issue wouldn't even be raised now," says Manilow. "But then they needed one... Degraded prairie—there's a real prairie 20 minutes away!"

The town center, planned as a three-mile-long strip instead of a cluster, consists of a bank, a village hall, the developer's office

building (designed by Harry Weese & Associates and possibly the only "architecture" in the place) and a "possible developer and major tenant for a shopping center."

The elementary school is overcrowded, but a new junior high, just opened, and a senior high, about to be built, will relieve the double shifts at the high school in the neighboring suburb where PFS kids have to be channelled now.

Park Forest South isn't a ghost town by any means yet, but there is a certain pall in the air. In response to the general slowing down, one builder—Kennedy Brothers Inc.—filed suit, claiming damages because the value of the land it bought was less than it would have been if the hospital and commercial development had kept pace.

The developer's own top staff have formed a company of their own called CNH Asset Management—headed by the developer's top man, George Cadar—just in case. Just in case, that is, everything goes under.

Park Forest South Developers Co. now owns most of the land. New Community Enterprises (the same people but under a different corporate structure) owns the office building, ice lodge, golf course, commercial strip and some housing). If these companies fold, the staff, as CNH Asset Management, is there waiting to offer its management talents to the next boss—be it HUD, a new developer, a bank, whomever.

Meanwhile, every six months more than \$1 million becomes due in interest and fees on the \$30 million loan, with little incoming income to pay it.

Last winter, the development partners and HUD worked out a deal to generate some ready cash and give Lewis Manilow's faint-hearted fellow investors a graceful exit. IC and Gypsum coughed up \$2 million each, Manilow \$1½ million, to buy land from the PFS Development Co. The deal prevents any of the three from reselling or developing that land for several years—more like pawning than selling. The deal also washes out IC's and Gypsum's connection with the whole affair.

The \$5.5 million thus generated paid the

September 1974 and February 1975 interest, and operating expenses. By September 1975, however, it had all but run out, and once again PFS Development Co. defaulted on the \$1 million interest payment—which was then picked up by HUD.

So the question is, what happens now? When the \$5.5 million deal was put together, it was intended as a temporary stay of execution while HUD and Manilow worked out some refinancing. Manilow was quoted as saying: "I'm going to devote the next six months of my life to seeing that this thing gets on the right footing."

Well, six months have come and gone. Manilow decided that refinancing—more loan guarantees—was a poor solution. "Twenty million on top won't work as a strict financial deal. Piling up more debt under foreseeable market conditions is no solution," he says.

What Manilow wants is a version of the deal HUD is making with the once equally euphoric Jonathan, Minn.—another new town in similar straits. Jonathan's old ownership fell apart a few years ago. HUD and the potential new owner are hammering out a contract which involves \$1¼ million new equity from the owner (who is interested in a tax shelter and is awaiting an IRS ruling on its permissibility), deferred interest and half fees for five years, and an immediate infusion of \$4 million in straight grants.

The citizens of Park Forest South have a few ideas of their own. Unlike the other new towns, PFS has had a village government from the beginning—a fact that has been boasted of, but not always appreciated by, the developer.

Until recently, the biggest disagreement has involved Thorn Creek Woods, a huge natural preserve that was threatened by both a superhighway and development. First the citizens killed the road, then lobbied state and county into buying large sections of the forest for parkland. In the end, the developer too threw in a contribution.

But the current disagreement goes even deeper. The village wants to take over the development.

"We've been negotiating with HUD all along," says village manager Charles Notarus.



"Our attitude is that we are a viable community with an industrial base, recreation, services. We want to grow as a planned community."

"We might put together a public building authority. We're investigating now whether provisos in the Illinois statutes would encompass this. If so, we'd issue bonds, and we think they'd sell."

"Or the village could expand its recreation board's scope with additional authority and assume control of open spaces, flood plains, etc. That plus traditional zoning and subdivision laws could influence growth. But it would limit the dollars available for amenities, that way."

Why not go with Manilow? "The present developer may have a problem with credibility," Notarus confides. "A lot of things have been promised."

The mystery player in this affair is HUD itself. It has several options. For one thing, it can foreclose. PFS Development Co. is in default and HUD can, at any time, demand the deed to the unsold land—the bulk of the new town.

Having done so, HUD would be faced with the same problems Manilow faces—but with a bigger cash reserve than Manilow has—or it could decide to sell the land. It might try to sell in bulk to a new developer—either the village or some company in need of tax write-offs—or it could sell bit-by-bit and simply abandon the idea of a planned town as a dumbo idea in the first place.

If foreclosure is the path chosen, the developers would be out the original \$5 million. HUD would stand to lose either the net cost of development if it decided to keep the land—this could eventually be profitable, of course—or the net loss on the property, if the decision was to sell. New Community Enterprises, a private company owned at this point by Lewis Manilow, would not revert to HUD. Its loans are held by Chicago's



Points of interest in the new town: Thorn Creek Woods (top); the high-rise for the elderly and ice skating rink (middle); and Hickock Lodge, an all-village recreational center.

Continental Bank. So if the ice lodge and apartments don't pay, the bank is entitled to these properties.

If HUD doesn't foreclose, it must either go on picking up the interest tab for Manilow until business picks up, or work out a deal that will make PFS a going concern.

Timothy Vanderver, special counsel to the New Communities Administration section of HUD, told me: "We are less advanced with the Park Forest South negotiations than with any of the other new towns. The problems surfaced later, and are more complicated. I cannot see, however, how they can think that we would give interest deferments or grants. The statute says that to qualify for deferment a community must be economically viable. Park Forest South is not economically viable, according to their own report.

"It is less viable than Riverton, N.Y., when that town fired all its staff and shut down. It is the least viable of all the new towns. As for grants, it would take a massive infusion, and all we have is \$13.1 million to spread through all 13 towns."

To that news, Manilow responds: "There is a hysteria and a snottiness at HUD. But they've told me for years that we were their best project and we're no less viable than the others, that's for sure. I'm negotiating with possible new partners—it would mean fresh cash—and the attitude I get from HUD's new program director, Melvin Margolies, is 'show us a live one and we'll talk.'"

What Vanderver may be referring to when he says PFS' own report admits it is unviable is a marketing study by Shlaes & Co. commissioned by Lewis Manilow. The Shlaes study, done under the supervision of Michael Young, scales down sales expectations to 300 to 400 housing units each year. And it counsels that while the industrial park should be a whopping success, it would be advisable to forget office rentals—no market—and a regional shopping center (there are two already within four miles).

The study also suggests that PFS suffers from a lack of identity. Not only the name, which sounds like the annexation that never happened, but that it lacks an appearance, or a magnet. The report adds that the town

center is too spread out, that the new town is too far away from Chicago, and that for the blue-collar market to which it appeals, multifamily housing is unpopular.

All of which gets us into the juiciest part of the plot—what happened? Why bonfire to embers in only four short years? Was somebody dumb? Was everybody crooked? Or was it kismet?

The most obvious answer is that the economy fell apart. The new towns, Park Forest South among them, got caught in a squeeze. On the one hand, inflation was driving costs far beyond estimates. On the other, a collapsed housing market, resulting from high interest rates, was cutting off income. The slower pace led to mushrooming carrying costs and insufficient support for necessary services like schools and commuter stations.

"A recession is inevitable," comments Manilow, "in a 20-year development period. The problem is we got it at birth. A 3-year-old can die of the measles, a 10-year-old will survive."

HUD deserves some blame too, Manilow feels. "HUD got pushed back from a major agency in the forefront to a background one. As a result, it could never get its policy together. We got a new New Town director every year or so. Thirteen developers have no political muscle. The whole relationship has been incredibly time-consuming. All that bureaucracy. We got no sense of what they wanted to accomplish besides filling their files."

Says Lawrence Lawless of IC Industries: "Dealing with the government was like punching a pillow. First you have to find the pillow and when you punch it, it just goes, 'Ahh...we'll study it.'"

Says Steve Lincoln, former director of architecture and planning for Park Forest South: "The agreement between HUD and PFS had no rights and obligations of parties set legally. You can't plan a 20-year project on the basis of a two-year political term. Fifty per cent of our time was taken up in paperwork for HUD. You can't work real estate in those time-frames."

Developers in other towns have echoed the

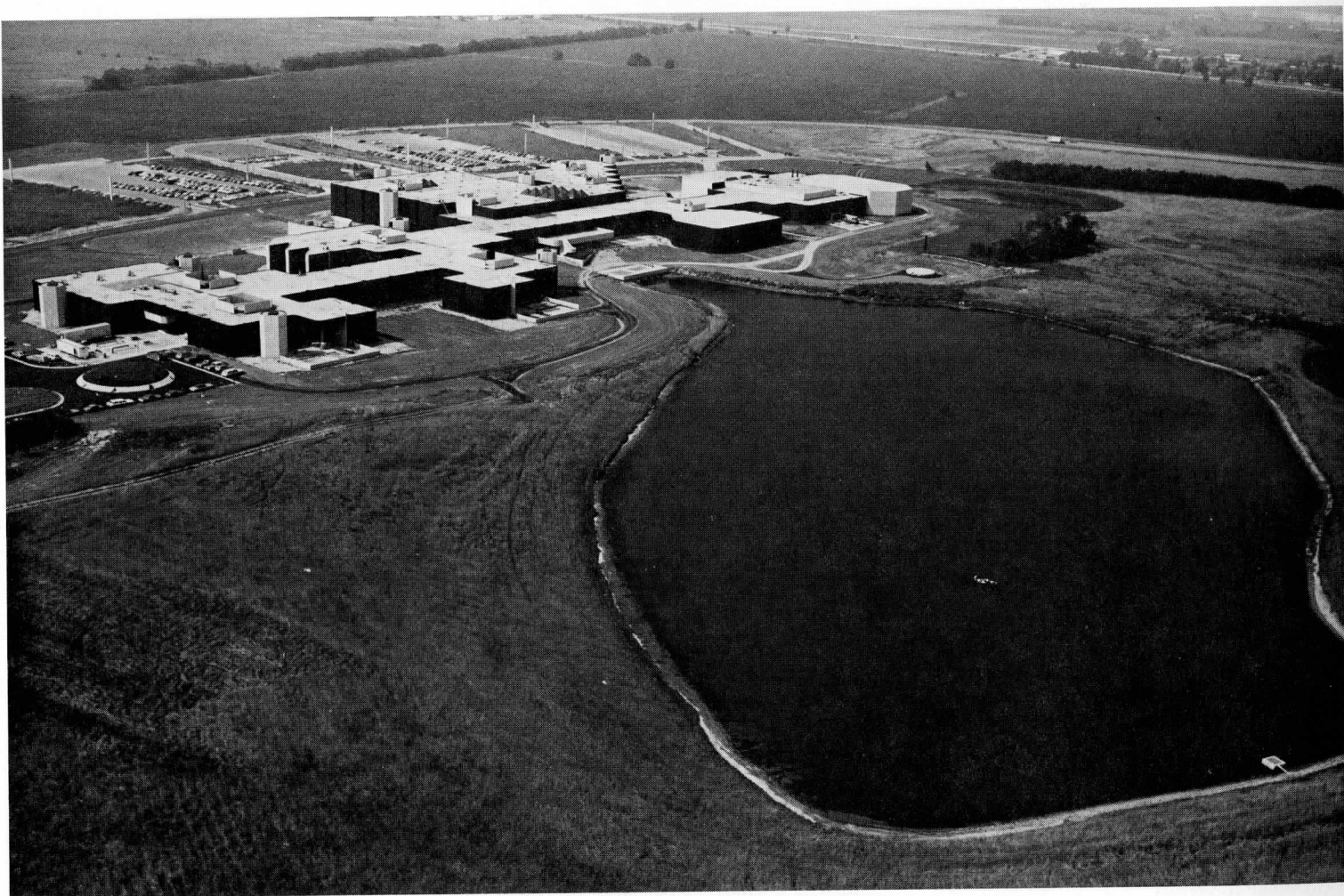
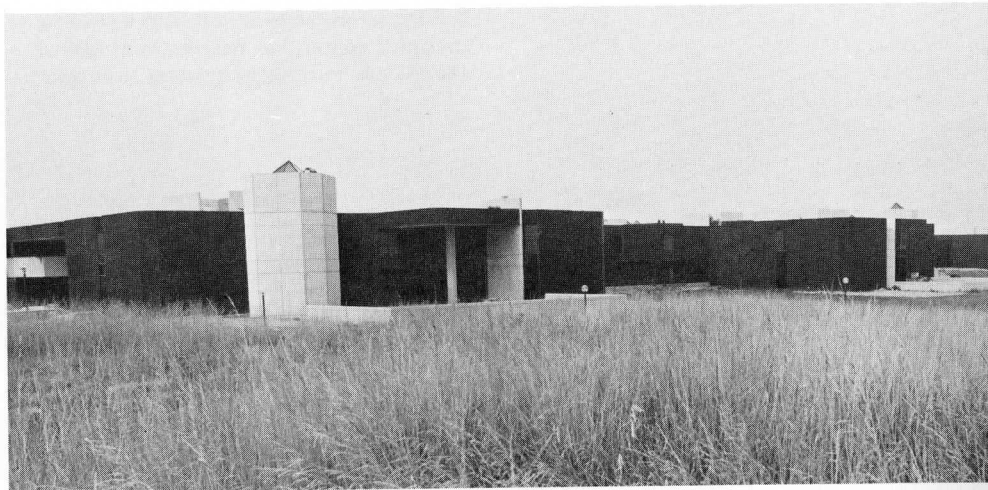
same sentiments. While HUD spokesman Vanderver pooh-poohs these criticisms as having some legitimacy but overstated, some facts remain.

The statute provided for loans to cover interest payments; until Jonathan, Minn., HUD never granted any. The statute provided money for assistance on many items; only a fraction was spent. Of a \$168 million kitty of grant money approved by Congress, only \$25 million was approved for expenditure, only \$11.5 million actually spent. Nixon's impoundments cut off money for subsidized housing while the government was pumping tens of billions into war, weaponry and space.

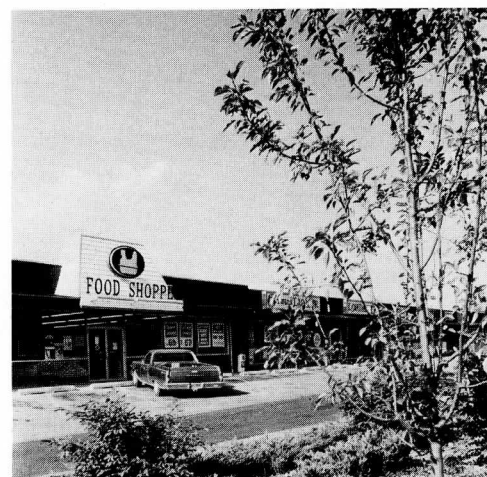
There seems to have been a definite change in attitude between the time when George Romney, Secretary of HUD, could say in 1972: "You are going to see greater movement in this new community area by this administration [Nixon] because it is committed to the new community approach" and two years later—when under the stewardship of Secretary James Lynn, new towns were suddenly regarded as a hangover Johnson program.

As for red tape, the \$5.5 million deal, says Manilow, took six months and 50,000 pages of documents. Indeed, it is still going on. HUD changed its guidelines on how to appraise the property, and now the developer may even go to court to find out how many acres they got for their money. ▶

Governor's State University spent two years in a factory in the industrial park while the new complex, designed by Caudill Rowlett & Scott, was being built (right). Although the entire school is housed in one continuous building (below), the University owns 750 acres of the community.



A commercial strip (right), but not yet a shopping center, has been built as well as several subdivisions of housing (opposite).



Said the *Washington Post*: The developers originally hoped to save 1.5 to 2 per cent on costs with HUD grants and low-interest loans, but with the reduction in grants and bureaucratic delays, it was reduced to .2 per cent, which they don't feel is enough to make up for the social freight HUD makes them carry.

But while developers are accusing HUD of daytripping, the watchdogs of the General Accounting Office are accusing developers of a few things, too. GAO says the developers—and this means all or most of the 13—are guilty of appraising their land too high, putting in too little equity and being over-optimistic about their market. This last conclusion is one with which the Shlaes study agrees. Michael Young of the Shlaes team visited a number of the new towns in addition to PFS and found an "almost total inadequacy of market research...all the studies were unsupportably inflated."

GAO goes on to say that the new towns show a lot of redundant spending. Each side thinks the other behaved haphazardly because that other side didn't have to bear the responsibility for mistakes. IC Industries' Lawrence Lawless accuses the government of getting all the fun of regulating while accepting none of the financial onus. GAO accuses the developers of managing the towns sloppily because Uncle Sam was a bottomless honey-pot.

They're both right, in a sense. No one had any clear responsibility. The federal government never really decided to establish an alternative urban pattern called New Towns or even a few urban laboratory experiments. It merely undertook to guarantee a few large-scale real estate loans.

It was a piecemeal project and it wound up in pieces. "The new towns range from bad to awful," says Vanderver. He means financially, and of course he's right.

But the feds didn't go in there to make money. They could do better with inside tips on the stock market. There is no point to federal involvement with new towns unless they are producing something new, good, and something that would not normally happen by itself in the marketplace.

But the government never really decided what it was after. The statute called for these towns to be economically sound, contribute to the social welfare of the area, increase the available choices for living and working, conserve land, advance technology, etc. As one urban critic complained, "It is like the sky, covering everything but touching nothing."

How do new towns fit into our national policy on urban growth? (What national policy on urban growth?) Are new towns to siphon off the inner city or show subdivision developers a better way to do things?

Nowhere is it recognized in the statute or subsequent regulations quite how serious is the conflict between the goals of social welfare and economic soundness. If the emphasis is on social welfare, for instance, that means—among other things—integration racially and economically, some of which has been known to have a depressing effect on the market. Park Forest South, which has managed only the racial integration to any real degree—it is 20 per cent black—has certainly found this to be true.

On the other hand, if the emphasis is on economic soundness, the developer will save subsidized housing for last in order to avoid market problems, and by that time, like as not, the good citizens of Newville will discover managed growth or some other exclusionary tactic to block it.

If the emphasis is on social welfare, the new town will be located where jobs and homes are needed but missing. If the emphasis is on economic soundness, the town will go where there is greatest growth potential, an area that probably would be developed even without government help.

HUD spokesman Vanderver admits: "No doubt there is an inherent conflict in the statute between social goals and financial aspects. The developers and HUD have gone back and forth. Now the emphasis is on



financial. It's hard to achieve social goals in foreclosure."

Actually, it is no harder than at any other time, if the government wants to accomplish them. What is the total outlay that HUD stands to lose—that is, if it forecloses on all 13 towns, and if it then gives away the land at no return? Some \$275 million. It sounds like a lot, until you put in next to, say, one day's losses in the Vietnam war.

But this assumes that the US had taken up an idea—a complex, intraconnected idea—and run with it. Which it hadn't.

If it had, there would have been money to insure mass transit, subsidized housing, hospitals, etc. But grant money from HUD, much less a separate agency like the Department of Transportation, drifted in and out with little coordination.

If it had, there would have been an awareness of the third party in this arrangement—the village itself—and its needs not only for things like police protection, but for some relationship with HUD.

If it had, there would have been planning based on optimization of set values and priorities—values that would have included not only integration and environmental protection but ideas about the mix of privacy and gregariousness, security and activity.

Instead, a town like Park Forest South was located where the developer happened to

own land. Greenways were placed where there happened to be pipelines that would have interfered with housing foundations. The town center was dragged out three miles because there happened to be a subdivision at one end and a proposed commuter station at the other.

But if the government had really embarked on a major national policy, if it had really faced the decisions and set the priorities, then it would also have had to insure their realization.

In Britain, the national government bought the land, put in infrastructure, and then sold it to builders who build according to government regulations. There was no shortage of front end money; no interference from local codes or licensing bodies; more, there was minimal competition. British law gives the government far more control over how land is developed than ours. Park Forest South was hurt by a market that chose the southwest suburb of Bolingbrook instead of it. In England, Bolingbrook could have been prevented from building.

In America, there is much hue and cry over private enterprise and the political impossibility of such a system. ("We can't even get a federal land-use bill passed," says Manilow).

Railroads and Lockheed aside, the situation

remains: either the U.S. must copy Britain's techniques or find some other way to solve the same problems. Ignoring them leads to a huge tangle, only part way up the stairs.

Beyond the financial tangle is the idealistic one. American new towns aren't really all that different from subdivision suburbs. There's a little more recreation; a few people live closer to work—although all the suburbs want industry these days to shore up their tax bases; and a few more poor people are out of the ghetto (the middle class minorities are going to make it to the suburbs by themselves, they can pay for it).

Nor is America suffering from a terrible housing shortage—at least for the middle classes—as England was after the war.

There is a thoughtful line of argument that says, if our public resources are limited, they should be put into the inner city where they might do the most good. Certainly a government program that is interested merely in recouping investment on a job fractionally done has little to offer in social gain.

It would be nice if HUD sat down on the stair, untangled that poor Slinky, and made it do its wonderful tricks again. But it looks as though HUD is just looking for a kid brother or neighbor on which to foist the mangled remains. In any case, it is too willing to cut off the tangles and accept whatever inert squiggle is left. □